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Report of the Committee on Contributions

General Assembly
Official Records
Fifty-third Session
Supplement No. 11 (A/53/11)

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Contents

Chapter		Paragraphs	Page
I.	Attendance	1–2	1
II.	Terms of reference	3–4	1
III.	Application of Article 19 of the Charter of the United Nations	5–36	1
	A. Procedural aspects of the consideration of requests for exemption under Article 19	6–10	1
	B. Procedures for the application of Article 19 of the Charter	11–28	2
	1. Current procedures	11–19	2
	2. Review of the Committee on Contributions	20–28	3
	C. Representations from Member States	29–36	4
	1. Comoros	29–32	4
	2. Tajikistan	33–36	4
IV.	Review of elements of the methodology for the preparation of future scales of assessments	37–97	5
	A. Income measures	40–45	5
	B. Base period	46	6
	C. Conversion rates	47–50	6
	D. Debt-burden adjustment	51–55	6
	E. Low per capita income adjustment	56–67	6
	F. Floor	68	8
	G. Ceilings	69–71	8
	H. Scheme of limits	72	8
	I. Annual recalculation	73–81	8
	J. Other proposals related to the scale of assessments	82–97	9
	1. Pattern of per capita assessments	82–85	9
	2. Concept of responsibility to pay	86–89	9
	3. Other issues	90–97	10
	(a) Peacekeeping assessments	91–93	10
	(b) Voluntary payments	94–95	10
	(c) Reports of the Committee on Contributions	96–97	10

V. Assessment of non-member States 98–104
VI. Other matters 105–113
A. Representations from Member States 105–108
B. Exchange-rate fluctuations 109
C. Collection of contributions 110
D. Payment of contributions in currencies other than United States dollars 111–112
E. Date of next session 113

Chapter I
Attendance

1. The fifty-eighth session of the Committee on Contributions was held at United Nations Headquarters from 8 to 26 June 1998. The following members were present: Mr. Iqbal Akhund, Mr. Alvaro Gurgel de Alencar, Mr. Pieter Bierma, Mr. Uldis Blukis, Mr. Sergio Chaparro Ruiz, Mr. David Etuket, Mr. Neil Francis, Mr. Ihor V. Humenny, Mr. Ju Kuilin, Ms. Isabelle Klais, Mr. David A. Leis, Mr. Atilio N. Molteni, Mr. Mohamed Mahmoud Ould Cheikh El Ghaouth, Mr. Ugo Sessi, Mr. Omar Sirry and Mr. Kazuo Watanabe. Mr. Sergei I. Mareyev and Mr. Prakash Shah were not able to attend.

2. The Committee elected Mr. David Etuket Chairman and Mr. Ugo Sessi Vice-Chairman.

Chapter II
Terms of reference

3. The Committee conducted its work on the basis of its general mandate, as contained in rule 160 of the rules of procedure of the General Assembly; the original terms of reference of the Committee contained in chapter IX, section 2, paragraphs 13 and 14 of the report of the Preparatory Commission (PC/20) and in the report of the Fifth Committee (A/44), adopted during the first part of the first session of the General Assembly on 13 February 1946 (resolution 14 A (I), para. 3); and the mandate contained in Assembly resolutions 46/221 B of 20 December 1991, 48/223 C of 23 December 1993, 51/212 B of 3 April 1997 and 52/215 B and C of 22 December 1997.

4. The Committee had before it the summary records of the meetings of the Fifth Committee held during the fifty-second session relating to agenda item 120, entitled "Scale of assessments for the apportionment of the expenses of the United Nations" (A/C.5/52/SR.10, 14, 16 and 46); the relevant reports of the Fifth Committee to the General Assembly (A/46/818, A/47/833, A/48/806 and Add.1, A/49/673 and Add.1, A/50/843 and Add.1 and 2, A/51/747 and Add.1 and 2 and A/52/745); the verbatim record of the 79th plenary meeting of the Assembly at its fifty-second session (A/52/PV.79); Assembly resolutions 50/207 A of 23 December 1995, 50/207 B of 11 April 1996, 51/212 A of 18 December 1996 and 52/215 A and D of 22 December 1997; and Assembly decision 51/454 of 15 September 1997.

Chapter III
Application of Article 19 of the Charter of the United Nations

5. The General Assembly, in its resolution 52/215 B, *inter alia*, requested the Committee on Contributions to keep under review the procedural aspects of the consideration of requests for exemption under Article 19 of the Charter of the United Nations and to make recommendations thereon, as appropriate. It also requested the Committee to review current procedures for the application of Article 19 of the Charter, including the possibility of calculating and applying it at the beginning of each calendar year and at the beginning of the peacekeeping financial period on 1 July of each year, and to make recommendations thereon, as appropriate, to the Assembly before the end of its fifty-third session.

A. Procedural aspects of the consideration of requests for exemption under Article 19

6. The Committee recalled that, pursuant to General Assembly resolution 50/207 B, it had reviewed the procedural aspects of the consideration of requests for exemption under Article 19 of the Charter at its fifty-sixth and fifty-seventh sessions. The observations resulting from that review are reflected in the Committee's reports on those sessions (see A/50/11/Add.2 and A/51/11).

7. The Committee had observed that Article 19 was applied from 1 January of each year, while the Committee did not normally meet until June. As a result, those Member States requesting exemption under Article 19, and not benefiting from an exemption during the ongoing session of the General Assembly, were liable to a loss of their right to vote until action was taken on their request by the Committee and the Assembly, regardless of the outcome of their request. The Committee recalled that it had considered a number of suggestions for dealing with the problem of time, including automatic interim exemptions for Member States requesting exemption, special sessions of the Committee early in the year to consider such requests and adjusting the period for calculation and application of Article 19 closer to the annual sessions of the Committee. The Committee also recalled that it had been unable to draw any conclusion on this issue for the reasons outlined in its report (A/51/11). The Committee noted that in 1997 and 1998 no Member State had actually faced the situation described above.

8. The Committee also noted that any change in the periodicity or timing of the calculation and application of Article 19 could have implications for the procedural aspects of the consideration of requests for exemption under Article 19. The Committee agreed that such implications should be taken into account in the review of any such change.

9. With regard to guidelines for considering requests for exemption under Article 19, the Committee still doubted that any one set of such guidelines could be applied uniformly to all those requesting exemption. The particular circumstances of each Member State concerned had to be considered when the Committee reviewed such requests. In considering the requests, the Committee has drawn and will draw on its review of other cases and endeavour to apply precedents as appropriate. The Committee also agreed that exemptions under Article 19 that it recommends should be of limited duration and that any requests for extensions should be fully reviewed on their own merits.

10. In this connection, the Committee again emphasized the importance of having the fullest possible information when considering requests for exemption under Article 19. It noted that such requests were often received fairly late and had to be considered with only partial information available. The Committee urged that Member States concerned should provide the fullest possible information, including on economic aggregates, government revenues, foreign exchange resources, indebtedness and any difficulties in meeting domestic or international financial obligations. The Committee will also continue to seek relevant information from the Secretariat.

B. Procedures for the application of Article 19 of the Charter

1. Current procedures

11. Article 19 of the Charter provides that a Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The Committee noted that there are three distinct methodological elements in the current procedures for applying Article 19: the determination of the amount of "arrears"; the interpretation given to "the amount of contributions due from it for the preceding two full years"; and the use of "gross" and "net" amounts in the determination of arrears and contributions due.

12. The current interpretation of the concept of arrears has been linked to that of regulation 5.4 of the Financial Regulations and Rules of the United Nations, which provides that:

> "Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Secretary-General referred to in regulation 5.3 above, or as of the first day of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears."

This regulation applies to all expenses of the Organization apportioned by the General Assembly among Member States, including the Working Capital Fund of the United Nations, peacekeeping operations and the international tribunals, as well as the regular budget.

13. Although Article 19 does not specify the way in which the amount of arrears is to be calculated, under the current methodology, a Member State is considered to fall under the provisions of Article 19 vis-à-vis its right to vote if its "arrears" as of 1 January of a given year equal or exceed the amount of the contributions due from it for the preceding two full years. In accordance with the established practice followed by the Secretariat in implementing this financial regulation, the amounts which become due and payable from Member States and which remain unpaid are not considered as arrears until the first day of January of the year following the year during which such contributions fell due. Thus, for example, only assessed contributions due before 1 January 1998 are considered to be in arrears at any time during 1998 and included in the computation of "amount of arrears" under Article 19 of the Charter.

14. Although Article 19 is silent on how the phrase "preceding two full years" should be interpreted, in line with the interpretation of "arrears" under the current provisions of regulation 5.4, contributions due for the preceding two full years has also, since 1950, been interpreted and applied to mean the preceding two full calendar years. As in the case of the calculation of arrears, the current practice has been to include only those assessed contributions due before the end of a given year in the computation of the amount of the contributions due. Thus, for example, only those contributions that fell due and payable between 1 January 1996 and 31 December 1997 were included in the amount of the contributions due for the preceding two full years for purposes of calculations for Article 19 as at 1 January 1998.

15. If the General Assembly decided that Article 19 should be applied at a date or dates other than 1 January, however, it would also be necessary to decide whether the "preceding two full years" should be interpreted as the two preceding calendar years, as at present, or the immediately preceding 24-month period.

16. Under the current method of calculation for Article 19, unpaid contributions considered to be "in arrears" are computed in net terms, that is, actual amounts payable after adjustments are made for staff assessment income and for such other items as are included in the relevant financing resolution (e.g., miscellaneous income or unencumbered balances from earlier financial periods).

17. The phrase "the amount of the contributions due ... for the preceding two full years", however, has been interpreted as referring to the amounts "as apportioned by the General Assembly" under Article 17, paragraph 2, of the Charter, before deduction of any credits, that is, the gross amounts assessed on Member States. As the "gross" amounts are, in most cases, higher than the net amount of the assessments, this approach tends to reduce the amount of minimum payments that must be made by Member States in order to retain or regain their right to vote in the General Assembly.

18. Some members of the Committee questioned whether current procedures were consistent with Article 19 of the Charter, since their effect was that a Member State could accrue unpaid contributions totalling more than its actual assessments for the preceding two full years between annual calculations without losing its vote in the General Assembly. In response to a letter from the Chairman of the Committee, the Assistant Secretary-General in charge of the Office of Legal Affairs advised that current procedures were consistent with relevant decisions of the General Assembly which, in their turn, were consistent with Article 19.

19. The Assistant Secretary-General also noted that the Secretariat's practice of calculating the amount of contributions due for the preceding two full years in gross terms is not set out in the Financial Rules, but has been consistently reported to the Assembly. Nevertheless, the General Assembly could, by resolution and with or without changing the Financial Regulations of the United Nations, direct the Secretary-General to change the practice.

2. Review of the Committee on Contributions

20. In reviewing procedures for the application of Article 19, pursuant to its mandate under General Assembly resolution 52/215 B, the Committee recalled that, under its terms of reference, pursuant to paragraph 3 of General Assembly resolution 14 A (I) of 13 February 1946, it was also mandated to consider and report to the General Assembly on the action to be taken if Members fall into default with their contributions.

21. In this connection, the Committee noted that the loss of voting rights under Article 19 was currently the only sanction against Member States not meeting their financial obligations to the Organization. The Committee also noted that, in recent years, all but a few Member States falling under Article 19 at the beginning of a year had taken measures to make the necessary minimum payments to regain their vote in the General Assembly before the end of the year. At the beginning of 1997, for example, 53 Member States owed sufficient arrears to fall under Article 19. Of the 49 Member States not granted an exemption under Article 19, 42 had made the necessary minimum payments to regain their right to vote before the end of the year, as had Rwanda, for which an exemption had been approved through the fifty-first session of the General Assembly, which ended in September 1997. The Committee, however, noted that the reduction in the minimum assessment rate, beginning in 1998, would be reflected in the calculation of the minimum amounts due to avoid the application of Article 19 in 1999 and 2000, and that this may have the effect of increasing the number of Member States affected.

22. The Committee recognized that action on Article 19 alone could not solve the financial problems of the United Nations. Nevertheless, the Committee noted that there was scope for changing the current procedures for the application of Article 19, which might have a positive impact on payments by the Member States affected and, thus, on the overall financial situation of the Organization. The Committee agreed that Article 19 provided scope for related changes to be introduced in the present procedures and many members felt that such changes would be desirable at this stage, although there were some strongly dissenting views.

23. Among measures considered by the Committee was the semi-annual calculation and application of Article 19 referred to in General Assembly resolution 52/215 B. Such a change, which would require a revision of financial regulation 5.4 with regard to the definition of "arrears", would reduce the maximum amount accruable by Member States before imposition of Article 19 to an amount closer to the two years' contributions provided for in the Charter. Should this proposal be adopted, the suitable definition of the "preceding two full years" would be the preceding 24 months.

24. The Committee also had before it a proposal to examine an annual calculation and application of Article 19 with a full year that begins on 1 July, and its effects on the

amount of minimum payments and on the processing of requests for exemption under Article 19.

25. The Committee also considered the possibility of comparing arrears with the amount actually assessed and payable for the preceding two full years for the purposes of applying Article 19, that is to say, comparing "net" arrears with "net" assessments. Such a change would compare like with like and, in the view of many members, bring actual practice more into line with the provisions of Article 19.

26. Some members felt that changes to the present procedures for the application of Article 19 would lead to an increase in the number of Member States falling thereunder, with possible implications for the application of Article 108 of the Charter. Therefore, they recommended further in-depth study of the implications of a more restrictive practice. However, this was not a view generally supported by Committee members, most of whom felt that, as at present, the great majority of Member States would pay the necessary sums to ensure that they retained their voting rights.

27. The Committee noted that, in its resolution 52/215 B, the General Assembly requested it to review current procedures for the application of Article 19 of the Charter, including the possibility of calculating and applying it at the beginning of each calendar year and at the beginning of the peacekeeping financial period on 1 July of each year, and to make recommendations thereon to the General Assembly before the end of its fifty-third session. The Committee, therefore, decided to continue to consider the matter further at its fifty-ninth session, including the practical implications of the proposals outlined above.

28. Pursuant to its general mandate under paragraph 3 of General Assembly resolution 14 A (I), the Committee also discussed the possible indexation of arrears, to take account of the loss of purchasing power of the amounts in question, as well as restricting access for Member States in arrears to recruitment and procurement opportunities offered by the Organization.

C. Representations from Member States

1. Comoros

29. The Committee had before it the text of a letter dated 18 June 1998 from the Acting President of the General Assembly to the Chairman of the Committee transmitting a letter dated 18 June 1998 from the Chargé d'affaires a.i. of the Permanent Mission of the Comoros to the United Nations, as well as the texts of notes verbales from the Permanent Mission of the Comoros to the United Nations to the Chairman of the Committee, dated 17 June 1998, and to the Secretary of the Committee, dated 18 June 1998.

30. The Comoros advised that it was currently torn by political strife, which had jeopardized its territorial integrity. Since last year, the central Government was no longer in control of the islands of Anjouan and Mohéli and the Government was therefore unable, at this time, to introduce a coherent system for producing economic statistics.

31. Information provided by the Secretariat confirmed the severe political, economic and social problems facing the Comoros. Despite mediation efforts by regional organizations, the Government was not in control of the two islands. This situation had compounded economic difficulties relating to crop production and prices and the Government had been unable to meet many of its financial obligations.

32. The Committee agreed that the failure of the Comoros to pay the amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It, therefore, recommends to the General Assembly that the Comoros be permitted to vote through the fifty-third session of the Assembly.

2. Tajikistan

33. The Committee had before it the text of a letter dated 18 June 1998 from the Acting President of the General Assembly to the Chairman of the Committee transmitting a letter dated 18 June 1998 from the Permanent Representative of Tajikistan to the United Nations, as well as the text of a note verbale dated 18 June 1998 from the Permanent Mission of Tajikistan to the United Nations addressed to the Chairman of the Committee, conveying a letter dated 18 June 1998 from the Prime Minister of Tajikistan. It also heard an oral representation by the Permanent Representative of Tajikistan and received information from the Secretariat.

34. Tajikistan made reference to the continuing difficult economic and humanitarian situation resulting from five years of civil conflict. The economic and financial crisis had been aggravated by large-scale natural disasters, with avalanches, floods and destructive mudflows killing people and livestock and damaging populated areas, agricultural land, roads and bridges to an estimated total of more than $66 million. In addition, production of cotton and aluminium, two major sources of revenue for the Government, had been adversely affected and both major products had suffered adverse price movements. The difficult situation of Tajikistan had been recognized by the

United Nations in General Assembly resolution 52/169 I of 16 December 1997.

35. The Committee noted with appreciation Tajikistan's efforts to pay some of its outstanding contributions to the United Nations and its commitment to paying its outstanding obligations in full. It also noted that the economic situation continued to be very serious and that the Government's limited revenue was also substantially committed to implementation of the recently concluded peace agreements. It further noted that Tajikistan was in receipt of significant foreign assistance and had incurred foreign debts during the recent past, on which it had not been in a position to make significant payments.

36. The Committee agreed that the failure of Tajikistan to pay the full amount necessary to avoid the application of Article 19 was due to conditions beyond its control. It, therefore, recommends to the General Assembly that Tajikistan be permitted to vote through the fifty-third session of the Assembly.

Chapter IV
Review of elements of the methodology for the preparation of future scales of assessments

37. In its resolution 52/215 C of 22 December 1997, the General Assembly noted the intention of the Committee on Contributions to review all elements of the scale methodology, including the base period, conversion rates, low per capita income adjustment (including the issue of discontinuity) and annual recalculation, and requested the Committee to take into account the views expressed by Member States.

38. In conducting its review, the Committee was provided with official records of the debate in the Fifth Committee and the plenary of the General Assembly on the question of the scale of assessments.

39. The Committee based its review on the mandate contained in General Assembly resolution 52/215 C, the views reflected in the official records of the General Assembly and the results of its earlier deliberations. The Committee noted that normally the Assembly would not make decisions on the methodology for the next scale of assessments before 1999 and decided to consider a number of issues further at its fifty-ninth session, with a view to making a consolidated set of recommendations to the Assembly at its fifty-fourth session.

A. Income measures

40. The Committee noted that, during the Fifth Committee debate on the scale of assessments, it had been requested to consider the implications of using gross domestic product (GDP) rather than gross national product (GNP) in preparing future scales and to take into account the application of paragraph 3 of General Assembly resolution 43/223 B of 21 December 1988.

41. The Committee was informed by the Secretariat about the current state of implementation of the 1993 system of national accounts and recalled its earlier decision to keep this issue under review (A/51/11, para. 73).

42. In that context, the Committee recalled its earlier review of alternative income concepts at its forty-ninth and fiftieth sessions. It also noted that during the process of revising the system of national accounts, some alternative income concepts were seriously considered for inclusion. With the exception of national disposable income, however, there was no agreement by the experts in the Inter-Secretariat Working Group on National Accounts on definitions and on measurement of those alternatives that would not introduce inconsistencies or duplications in a comprehensive and coherent system of worldwide applicability.

43. The Committee noted that all the income measures considered had some drawbacks, either theoretical or practical. It recalled that it had recommended switching from national income to GNP, despite the former being theoretically a better guide to capacity to pay, because of the greater availability and reliability of data for the latter. It noted that under the new 1993 system of national accounts, the sum of the balance of primary incomes across sectors results in the aggregate called gross national income, which corresponds to the 1968 system of national accounts concept of GNP. The Committee's recommendation to use GNP rather than national income for the current scale of assessments, therefore, means that it continues to base itself on an income rather than a product concept, but prior to provision for depreciation, for which the quality of estimates is variable.

44. The Committee noted that the availability and reliability of data for GDP was somewhat better than for GNP, which was conceptually superior as an approximation of the capacity to pay. On the other hand, it also noted that for those countries showing the largest differences between GDP and GNP, availability and reliability were the same. Accordingly, the Committee concluded that overall differences in the availability and reliability of GNP data,

compared with GDP data, would not significantly affect the calculation of assessment rates.

45. The Committee, therefore, concluded that GNP remained the least unsatisfactory income measure for purposes of calculating assessment rates and reaffirmed its earlier recommendation that future scales should be based on estimates of GNP, consistent with the decision of the General Assembly contained in its resolution 52/215 A of 22 December 1997.

B. Base period

46. The Committee recalled its extensive discussions on the issue of the appropriate base period for the scale and its agreement to examine the possible further reduction of the base period to three years in the context of the scale for the period 2001–2003. In this context, the Committee agreed to review the matter further at its fifty-ninth session.

C. Conversion rates

47. The Committee noted that conversion rates were one of the elements of the scale methodology specifically mentioned in General Assembly resolution 52/215 C and, in that context, that Member States had made reference in the Fifth Committee to General Assembly resolution 46/221 B of 20 December 1991 and to the possible use of purchasing power parity conversion rates.

48. In that connection, the Committee recalled the reservations of members about the use of purchasing power parity conversion rates for the purposes of the scale, on both conceptual and practical grounds, and noted continuing problems with the availability and comparability of purchasing power parity rates.

49. The Committee noted that the Statistics Division would work on an exchange rate study and that it intended to report to the Committee at its fifty-ninth session.

50. The Committee agreed to review the issue further at its fifty-ninth session. It also decided to invite representatives of the World Bank and the International Monetary Fund to attend its next session to provide information on their approaches to the problem of conversion rates. In the meantime, the Com .ittee recalled its conclusion that market exchange rates should be used for the purposes of the scale, except where that would cause excessive fluctuations or distortions in the income of some Member States, when price-adjusted rates of exchange or other appropriate conversion rates should be employed (A/51/11, para. 77).

D. Debt-burden adjustment

51. The Committee is aware that, in approving the scale of assessments for the period 1998–2000, the General Assembly decided to use a debt-burden adjustment based on debt flow in 1998 and one based on a proportion of total debt stocks in 1999 and 2000.

52. The Committee recalled its recommendation to the General Assembly that, should it decide to retain this element of the scale methodology, the adjustment for the 1998–2000 scale should be based on data on actual principal repayments, an approach that has been designated "debt flow".

53. During the Committee's review of this element of the methodology, a number of members questioned the current application of the adjustment, recalling that in the current scale it had benefited only countries with per capita GNP of up to $9,385. It was suggested by some members that, should the adjustment be retained, it should be available to all Member States. A number of issues were discussed in that regard, including problems of availability and comparability of data for countries with a higher per capita GNP, which were not included in the World Bank database used for that purpose. Another suggestion considered was that the adjustment should be available only to Member States falling below the threshold for the low per capita income adjustment. Some members also questioned the basis for inclusion of this element in the scale methodology, given the fact that debts may be incurred voluntarily for reasons of a country's financial or monetary policy.

54. Other members felt that the debt-burden adjustment continued to be a necessary step in determining Member States' capacity to pay. In that connection, some members expressed the view that the overall level of debt itself constituted a significant burden and that that fact was better reflected in the version of the debt-burden adjustment based on a proportion of debt stocks of Member States affected.

55. The Committee agreed to review the debt-burden adjustment further at its fifty-ninth session.

E. Low per capita income adjustment

56. The Committee recalled that, at its fifty-seventh session, it had agreed to undertake a comprehensive review of the low per capita income adjustment. It also noted that

General Assembly resolution 52/215 C made specific reference to the adjustment, including the issue of discontinuity.

57. The Committee reaffirmed the continuing relevance of the principle of such an adjustment, which was among elements that had been a part of the scale methodology from the beginning.

58. Some members were of the view, however, that the adjustment primarily benefited a very limited number of developing countries with large populations and economies and that the application of the gradient should be adjusted accordingly. In this connection, the possible introduction of the concept of a sliding gradient was suggested. Some members also referred to the idea of the non-eligibility of the permanent members of the Security Council for the low per capita income adjustment. Other members considered that the question was purely political and that it was not in the mandate of the Committee on Contributions to discuss the matter. Another suggestion was for a ceiling on the amount of the adjustment for any Member State.

59. Other members recalled that the General Assembly, in its resolution 14 A (I) of 13 February 1946, specified that the expenses of the United Nations should be apportioned broadly according to capacity to pay, and in its subsequent resolutions, the Assembly reaffirmed the principle of capacity to pay as the fundamental criterion for the apportionment of the expenses of the Organization. They also stressed that the low per capita income adjustment had been in use since 1946. They stressed that the parameters of the current formula met the needs of all countries with low per capita income and best reflected the capacity to pay of Member States. They therefore totally objected to the proposed discrimination against countries with large populations. The importance of the low per capita income adjustment for developing countries was emphasized by the same members and the redistribution of costs to developing countries arising from the proposals mentioned in the preceding paragraph was criticized.

60. Some members felt that the current level of the gradient of the low per capita income adjustment resulted, in some instances, in an excessive shift of points in relation to some countries' share of total income. They suggested that, consistent with the concept that income share should be the first approximation to a Member State's capacity to pay, a non-distorting floor should be introduced to limit the maximum adjustment for any Member State, for example to 50 per cent of its share of gross national product. While a number of members expressed interest in this idea, others opposed the idea and were concerned at the resulting transfer of costs to developing countries.

61. The Committee also considered the problem of discontinuity experienced by countries moving up through the low per capita income threshold between scale periods. In this context, the Committee considered the possibility of a delay in assigning points arising from the adjustment to countries experiencing the discontinuity; application of positive progressivity in assigning points arising from the adjustment to countries above the threshold; and a return to the pre-1979 methodology, under which points arising from the adjustment were proportionately distributed to all Member States, including those benefiting from the adjustment.

62. As regards a delay in assigning points to Member States moving up through the threshold, members of the Committee pointed out that this would be unfair for countries that had already moved up through the threshold, as well as for those just above the threshold.

63. The Committee recalled that the proposal for applying positive progressivity in assigning points arising from the adjustment to countries above the threshold had been included in the proposal for the current scale set out in paragraph 1 (g) of General Assembly resolution 51/212 B of 3 April 1997. The results of this proposal were included in annexes VIII A and B of the report of the Committee on its fifty-seventh session (A/51/11 and Corr.1 and 2). The Committee reviewed the results of applying this approach with the other elements of the current scale and with a range of different gradients above the threshold. The Committee noted that, because of the distribution of incomes and per capita incomes among Member States, the proposal would involve shifting additional points to a very small number of Member States, with one Member State absorbing about 90 per cent of the total. The Committee concluded that the proposal was therefore not an acceptable solution for the problem of discontinuity.

64. A number of members also doubted whether reverting to the methodology abandoned by the General Assembly in 1979 would be an acceptable solution for the problem of discontinuity. Concern was also expressed about the shift of points to developing countries that would be involved, although some members suggested that this could be offset at the aggregate level by an upward adjustment to the gradient of the low per capita income adjustment.

65. As regards the overall effect of the low per capita income adjustment, it was suggested by some members that whatever change the Committee might eventually recommend should not reduce the total benefit accruing to developing countries from its application.

66. Other members noted that the low per capita income adjustment also benefits countries with economies in transition.

67. The Committee agreed to continue its review of the low per capita income adjustment, including the problem of discontinuity, at its fifty-ninth session.

F. Floor

68. The Committee noted that, in approving the scale of assessments for the period 1998–2000, the General Assembly had accepted the Committee's recommendation that the minimum assessment rate be set at 0.001 per cent.

G. Ceilings

69. As regards the maximum rate of assessment, the Committee noted that, in approving the scale of assessments for the period 1998–2000, the General Assembly had included a maximum assessment rate of 25 per cent. One member felt that this ceiling should be abolished.

70. The Committee also noted that, in approving the current scale, the General Assembly had, as recommended by the Committee, decided on individual rates of assessment for the least developed countries not to exceed the current level of 0.01 per cent.

71. The Committee agreed to keep the question of ceilings under review in the context of its consideration of the next scale of assessments.

H. Scheme of limits

72. The Committee noted that, consistent with the decision reflected in General Assembly resolution 48/223 B of 23 December 1993, the effects of the scheme of limits would be fully phased out before the year 2001.

I. Annual recalculation

73. The Committee recalled that it had discussed the question of annual recalculation of the scale of assessments at its fifty-seventh session and that members had had differing views on its merits. The Committee had agreed that it should examine annual recalculation further at its fifty-eighth session. The Committee also noted that specific reference was made to annual recalculation in General Assembly resolution 52/215 C.

74. The Committee noted that, while the subject of annual recalculation had been discussed in a number of forums, the practical implications of the proposal had not been fully explored. The Committee undertook an initial review, during which a number of issues were highlighted.

75. Among the issues considered by the Committee was the scope of the exercise, or which parameters would be adjusted during the annual review. For the purposes of the Committee's initial consideration of the question, it was assumed that the methodology established at the beginning of the scale period would not be changed before the beginning of the next scale period and that the scale would not be fully renegotiated each year. Relevant national data available for the next year would replace the data for the first year of the base period; for example, if annual recalculation had been in effect in 1998–2000, the recalculated scale for 1999 would have included data for 1996 and dropped data for 1990. In addition, it was assumed that normal revisions of national data for earlier years would be reflected in the updating. As regards conversion rates, it was assumed that the same types of rate would be used for the annual recalculation as for the initial scale, that is, in most cases, market exchange rates, with alternative rates when the use of market exchange rates caused distortion. A number of members doubted that annual recalculation would remain a simple technical exercise and felt that it would be likely to lead to a full renegotiation of the scale each year.

76. Another issue considered by the Committee was the nature and timing of the decision-making process for the recalculated scales for the second and third years of the scale period. It was recalled that the General Assembly typically accepted the Committee's recommendations with regard to data and related technical issues. It was also recalled that the General Assembly authorized other expert bodies, such as the Advisory Committee on Administrative and Budgetary Questions and the International Civil Service Commission, to decide on specified matters within their areas of competence. Since the annual recalculation, as envisaged, would be a strictly technical exercise, it was suggested that the Committee on Contributions could be authorized to decide on the revised scales for the second and third years. Should such a delegation of authority be granted by the Assembly, the recalculated scales for the second and third years would be known by June or July of the previous year. If, on the other hand, the Assembly made the final decision, they would probably not be known until nearly the end of the previous year.

77. The Committee recalled that the financial period for peacekeeping operations ran from 1 July to 30 June. If recalculated assessment rates were not known until the end of each calendar year, peacekeeping assessments for the second half of the peacekeeping assessment period, from 1 January to 30 June of the following year, would be delayed each year unless the General Assembly authorized the use of current assessment rates for the full financial period.

78. Concern was expressed at the possible impact of annual scale changes on other international organizations that made use of the United Nations scale of assessments. A number of members, however, felt that the other organizations should be and would be able to adjust to the new situation without difficulty.

79. The Committee recalled that rule 160 of the rules of procedure of the General Assembly provided that the scale of assessments, once fixed by the Assembly, should not be subject to a general revision for at least three years unless it was clear that there had been substantial changes in the relative capacity to pay. The Committee noted the Secretariat's opinion that the introduction of annual recalculation would require amendment of rule 160. Some members felt that a technically based annual revision of the scale, as described in paragraphs 75 and 76 above, would be sufficiently different from the currently practised revision so as not to constitute a general revision under rule 160. Others did not agree.

80. The Committee noted that annual recalculation of the scale of assessments would have financial implications, as it was likely to increase the workload of the Secretariat. In addition, the Committee itself might have to meet for longer than the three weeks normally allotted to the first and second years of the scale period.

81. The Committee agreed to review these and other questions further at its fifty-ninth session.

J. Other proposals related to the scale of assessments

1. Pattern of per capita assessments

82. The Committee noted that, during the Fifth Committee debate on the scale of assessments, interest was expressed in the pattern of per capita assessments and it was suggested that consideration be given to reintroduction of a ceiling on per capita assessments set at the level of the per capita assessment of the Member State with the highest assessment.

83. The Committee recalled that, on the recommendation of the Committee on Contributions, this element of the scale methodology had been abolished by the General Assembly in its resolution 3228 (XXIX) of 12 November 1974. At that time, the Committee noted that international economic trends and the reduction of the ceiling to 25 per cent were tending to increase the number of Member States subject to the per capita ceiling. As a result, a growing number of countries with strong economies and high per capita incomes would be called on to contribute to the expenses of the Organization at increasingly lower rates in relation to their capacity to pay, with a concomitantly greater burden being placed on States in the median or low per capita income groups.

84. The Committee noted that, in the year 2000, 14 Member States would have a higher per capita rate of assessment than the Member State with the highest rate of assessment. These 14 Member States had average per capita GNP in 1990–1995 ranging from $21,261 to $37,068, compared to $23,678 for the Member State with the highest rate of assessment. In order to bring them down to the per capita assessment rate of the Member State with the highest rate of assessment, it would be necessary to redistribute 13.062 per cent of the total scale to middle and lower per capita GNP States with a current combined assessment rate in 2000 of 31.313 per cent.

85. The Committee was of the view that the trends that it had pointed to in 1974 had continued in the period since then and that reintroduction of the per capita assessment ceiling would clearly be contrary to the principle of capacity to pay. Many members strongly recommended against the reintroduction of this element of the scale methodology. Some members, however, showed their interest in further studying the idea of a per capita assessment ceiling.

2. Concept of responsibility to pay

86. The Committee noted that, during debate in the Fifth Committee on the scale of assessments, it had been requested to review the concept of responsibility to pay from a technical point of view and to make concrete recommendations to the General Assembly in 1998. The Committee recalled its consideration of this matter at its fifty-seventh session (A/51/11, paras. 87 and 92).

87. Some members stated their view that Member States with special responsibilities in the areas of international peace and security as well as regular budget activities of the United Nations should bear a commensurate share of the financial burden of the Organization corresponding to their responsibilities. In this connection, they suggested that permanent members of the Security Council should be ineligible for the low per capita income adjustment, that a

floor rate of assessment should be established for permanent members of the Security Council at, for instance, 3 per cent of the scale, and a floor rate for peacekeeping assessments be established for the permanent members of the Security Council as well. They also proposed to keep the proposals under consideration by the Committee at its fifty-ninth session.

88. Some members stressed that that was totally contrary to the principle of capacity to pay and the Charter, and cited the historical facts of the Second World War and others determining the membership of the Security Council, and argued that the question was a purely political matter and that it was not in the mandate of the Committee on Contributions.

89. Other members considered that the proposal was a purely political one that was clearly outside the mandate of the Committee on Contributions, as a technical expert body. They emphasized the principle of capacity to pay as the fundamental criterion for the apportionment of the expenses of the United Nations and considered that there was no technical justification for departing from that principle on what were obviously political grounds.

3. Other issues

90. The Committee noted that, during the Fifth Committee debate on the scale of assessments, Member States had raised a number of other issues not directly related to the methodology for preparation of the scale of assessments. The Committee had nevertheless considered those issues, pursuant to its mandate in General Assembly resolution 52/215 C.

(a) Peacekeeping assessments

91. Among those issues was the applicability of Article 17 of the Charter and of rule 160 of the rules of procedure of the General Assembly to the rates of assessment for the peacekeeping budgets. The Committee noted that peacekeeping assessments were calculated on the basis of the regular budget scale of assessments and were adjusted on the basis of groupings of Member States as determined by the General Assembly. The Committee also noted that it had not hitherto reviewed the special ad hoc arrangements for peacekeeping financing.

92. Some members emphasized the importance of peacekeeping assessments, given their volume, their link to the regular budget scale of assessments and the connection to the concept of responsibility to pay. They noted the absence of a formal and permanent scale of assessments for peacekeeping operations, even though such expenses were apportioned pursuant to Article 17 of the Charter and peacekeeping arrears fell under the provisions of Article 19. They considered that the Committee should include in its future programme of work issues related to peacekeeping assessments, including the possible establishment of a formal and permanent scale of assessments for peacekeeping operations.

93. Other members recalled that the Committee had never previously considered the question of peacekeeping assessments and that the question had not been specifically referred to the Committee by the General Assembly. Accordingly, it was outside the Committee's mandate and terms of reference.

(b) Voluntary payments

94. Another issue referred to in the Fifth Committee's debate on the scale was the question of the ability of Member States voluntarily to pay more than the General Assembly had decided that they should be assessed.

95. The Committee recalled that Article 17 of the Charter provided that the expenses of the Organization should be borne by the Members as apportioned by the General Assembly. Voluntary contributions from Member States were accepted, subject to the provisions of the Financial Regulations and Rules of the United Nations, but these fell outside the terms of reference of the Committee on Contributions.

(c) Reports of the Committee on Contributions

96. During the Fifth Committee's debate on the scale of assessments, one Member State had expressed the view that future reports of the Committee on Contributions should include, as annexes, all the data used for each country and the mathematical formulas used at each stage.

97. The Committee noted that such an approach would have increased the size of its last report to over 600 pages, which would clearly have been inconsistent with General Assembly resolutions on the control and limitation of documentation. Furthermore, the Committee recalled that the database used by the Committee was specifically compiled for it by the Statistics Division and included information provided by Member States that had traditionally been treated as confidential. In adopting its report, the Committee decided on data that would be included or annexed to supplement its report, taking those factors into account.

Chapter V
Assessment of non-member States

98. The Committee recalled that, in its resolution 44/197 B of 21 December 1989, the General Assembly endorsed the proposal contained in paragraphs 50 to 52 of the Committee's report on its forty-ninth session (A/44/11) concerning revised procedures for the assessment of non-member States. These procedures continue to be applied, subject to rates approved by the General Assembly from time to time, most recently in its resolution 52/215 A.

99. The view was expressed that non-member States should not be assessed only according to their actual participation in United Nations activities. Given the fact that they can opt out of United Nations activities, a possibility not open to Member States, they should be assessed at a somewhat higher rate.

100. The Committee recalled that the new procedures were designed to provide an annual fee structure for non-member States that not only takes account of their empirically based levels of participation and their economic position, but also expedites the issuance of assessments and streamlines the related work of the Secretariat. Based on a comparison of the relationship between actual and hypothetical assessments and the average level of participation of non-member States during the period from 1978 to 1987, the Committee recommended a sliding scale of flat annual fee rates endorsed by the General Assembly. The current flat annual fee rates for non-member States assessed in 1998 are:

Non-member States	*Flat annual fee as percentage of applicable assessment rate*
Nauru	1
Tonga	5
Holy See	10
Switzerland	30

These percentage rates are applied to the approved rates for each non-member State when calculating its assessment.

101. The Committee noted that a questionnaire had been sent to these non-member States regarding their participation in United Nations activities during the period 1988–1997, as well as to two other non-member States, Tuvalu and Kiribati, which are members with full voting rights of the Economic and Social Commission for Asia and the Pacific (ESCAP). Information was received from Switzerland and ESCAP. Although no reply was received from the Holy See, the Committee noted that there was no evidence of a major change in the level of its participation. The Committee also recalled that the assessment rates to which the flat annual fee rates are applied during the period from 1998 to 2000 are 0.001 per cent for the Holy See, Nauru and Tonga. This corresponds to a full net annual assessment for a Member State at that level in 1998 of $10,516.

102. On the basis of the analysis provided by the Secretariat, the Committee recommends the following flat annual fee rates for non-member States beginning in 1999:

Non-member State	*Flat annual fee as percentage of applicable assessment rate*
Nauru	1
Tonga, Tuvalu	5
Kiribati	9
Holy See	10
Switzerland	30

On the basis of data provided on Kiribati and Tuvalu by the Secretariat, the Committee recommends that the rate of assessment for these non-member States in 1999 and 2000, based on which their flat annual fees will be calculated, should be fixed at 0.001 per cent.

103. In the course of its discussions, the Committee noted that the basis of assessment of non-member States was full participation in United Nations activities and that observers were not assessed for the costs of their participation.

104. The Committee also noted that three Member States still had outstanding non-member State contributions that were assessed prior to their membership in the Organization.

Chapter VI
Other matters

A. Representations from Member States

105. The Committee had before it the text of a letter dated 14 May 1998 from the Chargé d'affaires a.i. of the Permanent Mission of Singapore to the United Nations addressed to the Chairman of the Committee, drawing the Committee's attention to certain views expressed during the General Assembly's consideration of the scale of assessments. The Committee noted that those views were reflected in the official records before them. On behalf of the

Committee, the Chairman acknowledged receipt of the communication and drew the attention of the Chargé d'affaires a.i. to the relevant paragraphs of the present report.

106. The Committee also had before it the text of a letter dated 8 June from the Permanent Representative of Indonesia to the United Nations addressed to the Chairman of the Committee.

107. Indonesia indicated its commitment to fulfilling its obligations to the United Nations, but drew to the Committee's attention its current economic crisis and the fact that the Indonesian currency continued to be under serious pressures. It requested the Committee to consider how a country such as Indonesia, caught in a severe crisis, could best meet its contribution to the regular budget, including meeting the required payment of its contribution through Indonesian currency.

108. The Committee authorized its Chairman to reply to the Permanent Representative of Indonesia, indicating its sympathy at his country's current situation and its appreciation for his country's commitment to fulfilling its obligations to the United Nations. The Committee also recalled the provisions of paragraph 3 *(a)* of General Assembly resolution 52/215 A and advised that the Government of Indonesia could raise the possibility of availing itself of these provisions with the Secretary-General.

B. Exchange-rate fluctuations

109. One member noted the current difficult economic situation in Asia, especially the abrupt fluctuations in exchange rates. That member felt that the Committee might study the possibility of applying appropriate exchange rates or some other measures, if any. Other members did not feel that this would be appropriate and pointed out that such fluctuations would be reflected in due course in future scales of assessments.

C. Collection of contributions

110. The Committee noted that, at the conclusion of the current session on 26 June 1998, the following 23 Members were in arrears in the payment of their assessed contributions to the expenses of the United Nations under the terms of Article 19 of the Charter and had no vote in the General Assembly: Bosnia and Herzegovina, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Congo, Dominica, Equatorial Guinea, Georgia, Grenada, Guinea-Bissau, Honduras, Iraq, Kyrgyzstan, Niger, Republic of Moldova, Sao Tome and Principe, Seychelles, Somalia, Togo, Vanuatu and Yugoslavia. The Committee also noted that Comoros, Liberia and Tajikistan were in arrears in the payment of their assessed contributions under the terms of Article 19, but had been permitted to vote in the General Assembly through the fifty-second session pursuant to the provisions of General Assembly decision 51/454 B. The Committee decided to authorize its Chairman to issue an addendum to the present report, as necessary.

D. Payment of contributions in currencies other than United States dollars

111. Under the provisions of paragraph 3 *(a)* of its resolution 49/19 B of 23 December 1994, the General Assembly empowered the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the calendar years 1995, 1996 and 1997 in currencies other than United States dollars.

112. The Committee noted that eight Member States had availed themselves of the opportunity of paying the equivalent of $2.8 million in eight non-United States dollar currencies acceptable to the Organization in 1997.

E. Date of next session

113. The Committee decided to hold its fifty-ninth session in New York from 7 to 25 June 1999.

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